

Remarks for  
U.S./China Renewable Energy Forum  
NREL – Washington, D.C.  
19 April 2000  
Patrick Jenevein

Distinguished Guests, Ladies and Gentlemen - Ni min hao. Howdy all.

Our company, Tang Energy Group, could be the poster company for working in Western China and working with clean energy technologies. Tang began working in Xinjiang in 1995. After two pilot projects that demonstrated to us (and to our Chinese counterparts) that we could work in China and repatriate US dollars to Dallas, Texas, Tang dedicated itself to work exclusively in China. Now, Tang has two clean energy projects in critical development stages.

1. a gas-fired electricity generation project near the western end of the Great Wall in Gansu Province that should begin operations in the second or third quarter this year
2. a wind energy project in Xinjiang Autonomous Region (Because of Mr. Yu Wuming and Xinjiang Wind Energy Company's dedication, persistence, patience and thoughtful approach to all problems, Tang signed the joint venture contract for this project just weeks after NATO bombs destroyed the Chinese Embassy in Belgrade.)

As these projects demonstrate, Tang has committed itself to working in China for decades to come. Tang makes this commitment knowing that it must overcome cultural and institutional obstacles to succeed. When Tang does succeed, Chinese and Americans, and China and America benefit.

When a bride and groom marry, they generally start with at least two misconceptions. First, she thinks that she can change him, and, second, he thinks she will never change.

Similarly, Chinese-American joint ventures struggle because they begin with misconceptions. The two parties often assume that they share the same goals and the same approaches to reach those goals.

I will offer three learned perspectives, or lessons learned, introduce three suggestions and a quick conclusion.

**Lessons:**

1. **Measuring success:** Our Chinese partners and Tang all want our projects to succeed. However, only Tang must measure success in strictly financial terms. Our Chinese partners measure success in political terms, first, and financial terms, second. To many Americans, this sounds absurd. Americans believe and company owners insist that companies have to meet financial goals to continue business and to maintain financing options. Our capitalistic system works this way. To get money, we have to give customers economic value for their money, and we have to demonstrate that we have done so to financing sources. Before China began its significant and fundamental economic changes, Chinese companies had to achieve a mix of political and financial goals to get money. They had to show their financing source, the government or government controlled bank, that they provided value to the community in

political terms. Imagine what America would look like if the IRS, with its politically affected understanding of business, were deciding how much money our businesses would receive.

2. **Evidence long term commitment:** Westerners like to evidence, and have a history and tradition of evidencing or demonstrating, long term commitment with contracts. Even our marriages incorporate legal elements and require bride and groom signatures. Chinese tradition evidences long term commitment differently.

3. **Perspective on capital:** Chinese companies and bureaucracies still, despite the tremendous success they have made improving their economy, do not share the same perspectives on capital cost and capital risk as American companies. Chinese bureaucracies tie price approvals to capital recovery periods and other factors. They give those that risk capital no value for their capital that may have appreciated since investment. With power plants, the pricing bureaus consistently apply different pricing for the period during capital recovery and the period after capital recovery. As more Chinese bureaucracies appreciate capital risk and capital cost, China will enjoy greater access to the world's treasuries.

### **Suggestions:**

1. **Capital risk:** Support Mr. Zhia. He implements a wise plan through the SETC to reduce capital costs for renewable energy projects. More importantly, help him promote programs that will reduce capital risk by providing compelling evidence of, perhaps government support for, long term commitments from power purchasers to buy cleanly produced electricity.

2. **Emission credits:** When Mr. Yu Wuming and Xinjiang Wind Energy Company expand the Dabancheng wind farm or build new wind farms, recognize and reinforce the good they do with emission credits. Expand the carbon credit pilot project to recognize this important value now.

3. **Create a long term commitment framework:** This framework could involve acceptable contract forms and credit supports approved by both governments. It would address Chinese and American companies' concerns for expressing long term commitments.

### **Conclusion**

We share many problems. Each problem gives us an opportunity to work together to make our world safer for following generations. Every solution creates more opportunity to expand the good work we do.

Finally, China is a strong market not because China has 1.3 billion potential consumers but because China has national ambitions that require a strong economy. To achieve those ambitions China must change its view of capital. Remember that at the turn of this century, America borrowed money from all over the world and used it to create the economy that won two world wars and the cold war. Imagine what China could do for its economy if it accessed world capital markets.

Shay shay dia jia – Thank you all.